



ATN (Allied)-AT&T Transaction

Discussion with FCC

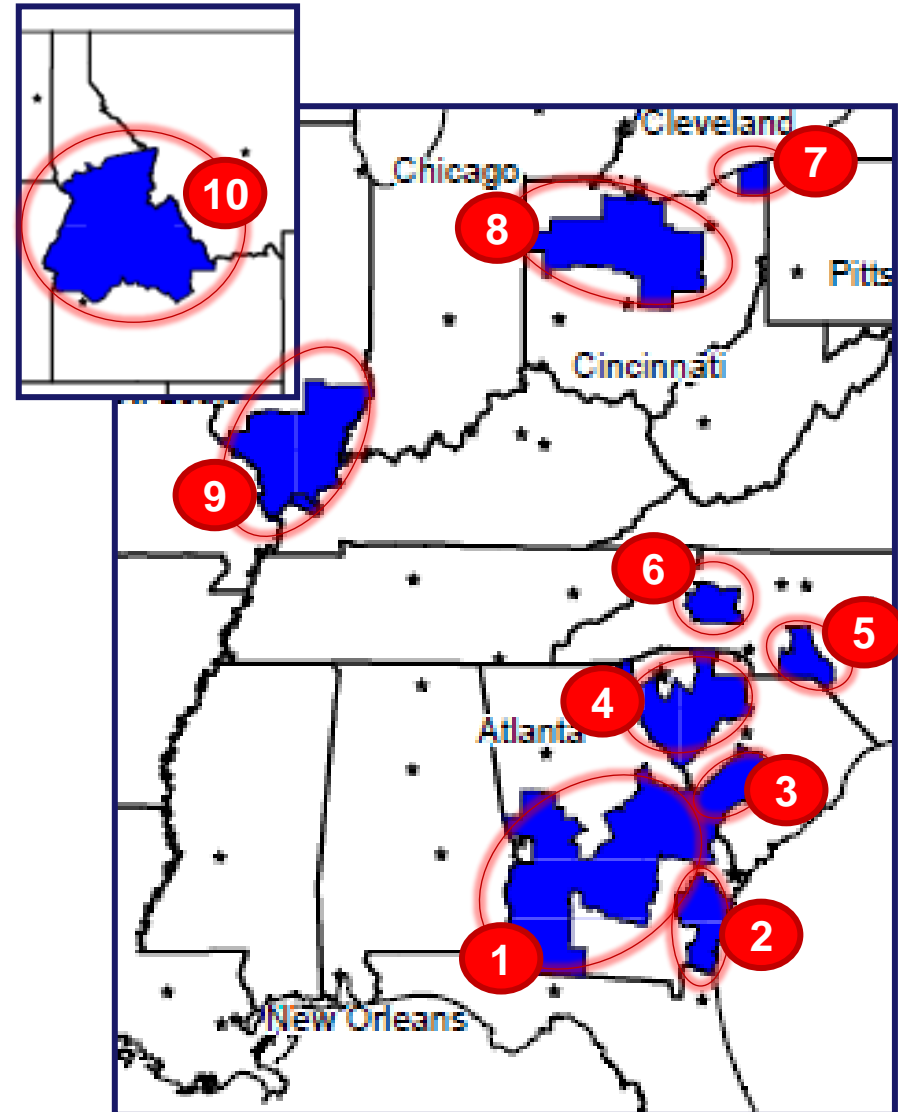
July 9, 2013

The transaction is in the public interest because it will enhance competition and benefit consumers

- The transaction will create more effective competition and benefit consumers in the Allied markets
- Allied's challenges have handicapped it in the markets
 - Allied's non-contiguous footprint, inability to offer competitive 4G service, and small scale present operational challenges
 - Challenges are visible in Allied's customer and revenue losses since close
- AT&T generally has modest presence and limited coverage in Allied's markets
- The transaction will marry Allied's local network and spectrum in these markets with AT&T's national network and complementary spectrum, yielding:
 - 4G service for Allied's customers and broader and deeper 4G coverage for AT&T's
 - A seamless roaming experience
 - More advanced broadband services and other product offerings
- The combination is the best outcome for customers and serves the public interest

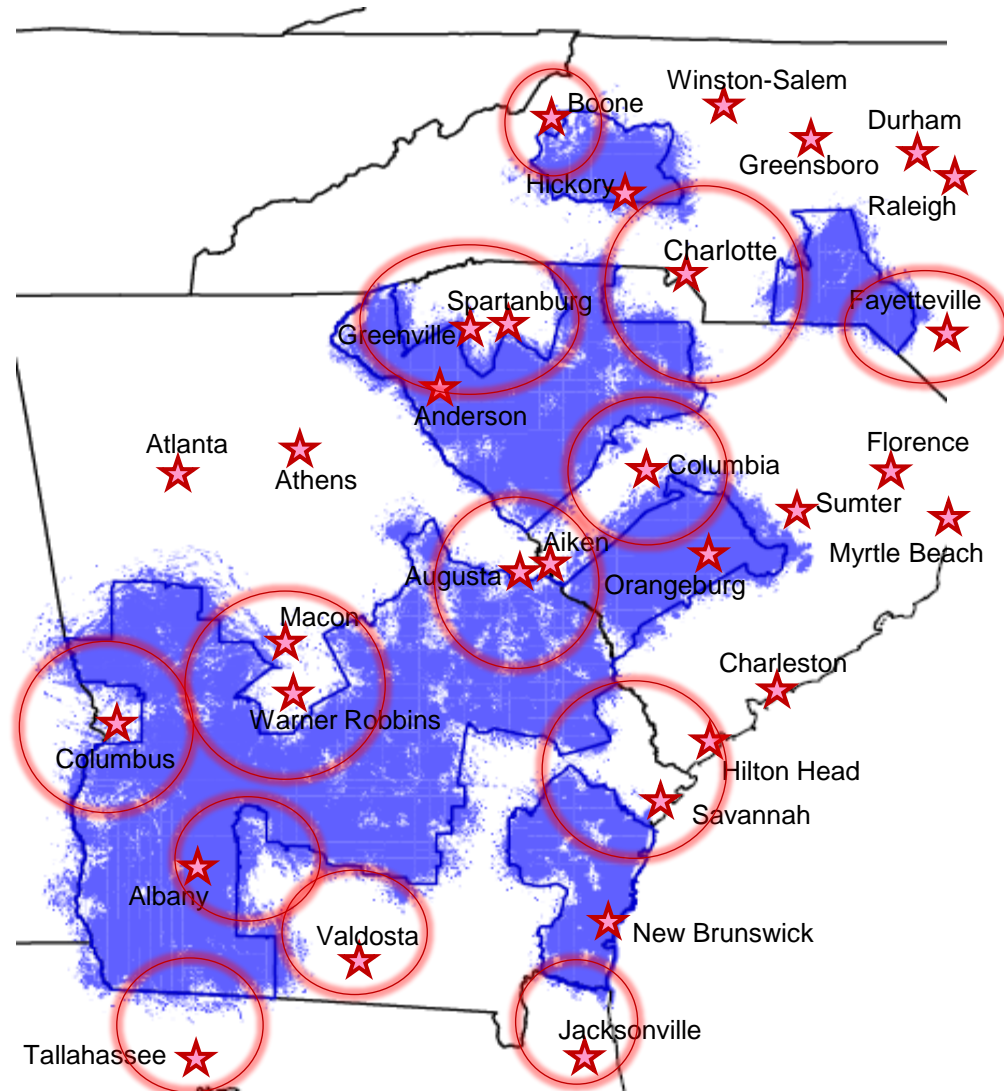
Allied faces unique challenges

- Allied operates 10 non-contiguous “island properties”; like no other regional carrier
- 78% of Allied’s subscribers reside in a county that is on the border of our licensed area and an additional 6% reside outside our licensed area¹
- Limited scale and distance between markets creates unique operating challenges:
 - Switching and interconnect between markets and to core
 - Sales management and field staffing
 - Distribution and marketing
- Limited spectrum depth² (~31 MHz) sufficient only to operate network as acquired and will not support competitive 4G upgrade options



Lack of key cities in footprint exacerbates problems

- **Network Edge Quality Poor:** Customer experience at edge is degraded (dropped calls, signal loss, etc.), resulting in high churn:
 - Inability to control other carriers' networks
 - Limited ability to enable seamless handoffs
 - Incompatibility and PRL issues
- **Roaming Expense High:** ~15% of Allied's calls are off of our network¹ vs. approx. 1-3% for national and contiguous regional carriers²
 - Even tightly managed, this results in a very high monthly cost burden per subscriber
- **Advertising DMA Spill-over:** POPs in Allied markets represent very small percentage of POPs in the DMAs that cover the footprint
 - Mass media (TV and radio) cost prohibitive due to spillage, making it very difficult to get messages to customers
 - Decreasing brand awareness

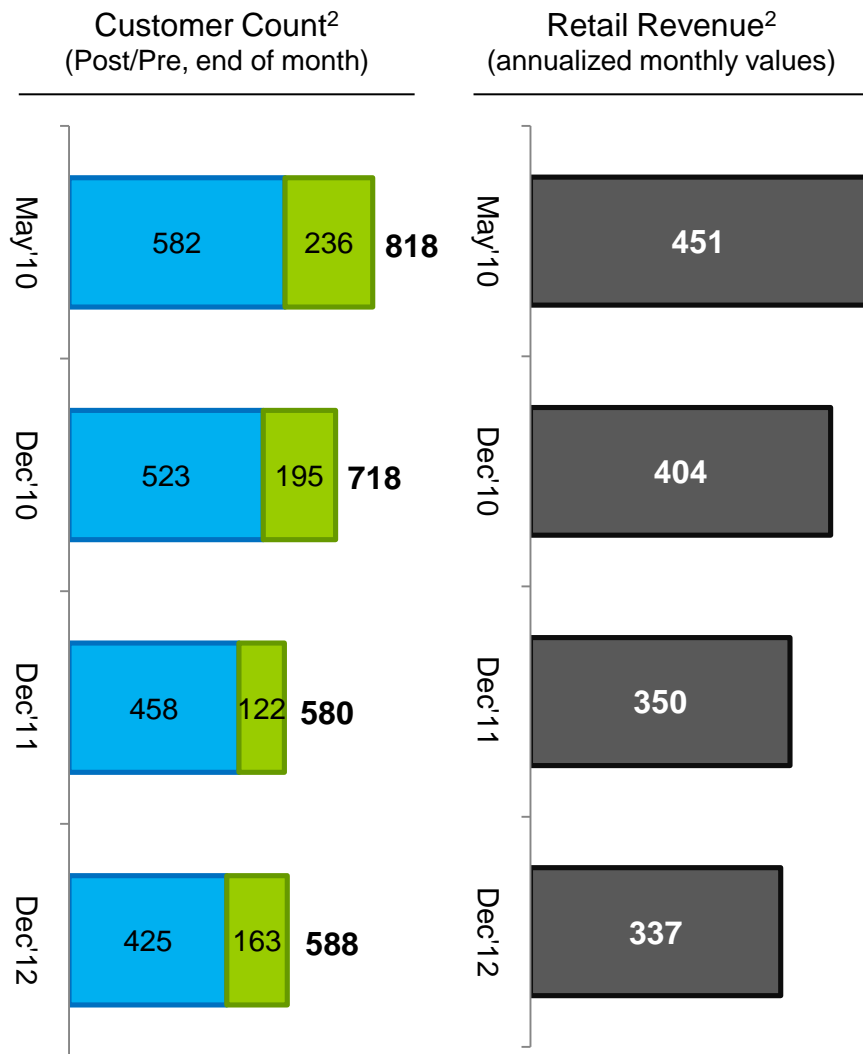


Allied invested substantial resources to overcome these challenges

- Invested heavily in capital expenditures to build and upgrade its network and IT infrastructure:
 - Built new core network and back-office
 - Built cell sites and added capacity
- Procured and sought additional spectrum:
 - Entered into spectrum leases with Sprint
 - Made numerous attempts to procure spectrum on secondary market with minimal success
- Introduced new device and service offerings
- Expanded distribution within its footprint

Allied's challenges increased substantially

- In 2009, Allied's business was primarily built around voice service
- Since 2009, data usage has exploded
 - Exacerbated already high roaming costs
 - Made Allied's spectrum shortage more acute
 - Trend is expected to continue with an 18-fold increase between 2011-2016¹
- Allied operates primarily a 3G EV-DO data network, but customers now demand a high-quality 4G service
- Allied's ability to upgrade to 4G is problematic
 - Allied lacks spectrum to support competitive 4G
 - Device manufacturers have transitioned to 4G devices, complicating procurement for Allied's 3G EV-DO network
- Allied has lost nearly 30% of its retail customers and revenue and faces substantial challenges going forward



Sources and notes: (1) http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-520862.html ("Global mobile data traffic will increase 18-fold between 2011 and 2016."); (2) Allied Wireless consolidated financial statements

This transaction serves the public interest

- AT&T's acquisition of Allied's assets will result in more effective competition in the markets
- The Allied assets will allow AT&T to provide better service to customers in the Allied areas
 - AT&T has the resources to roll out high-quality 4G services
 - Allied customers will benefit from AT&T's service and equipment offerings
 - Joining Allied's string of island properties to AT&T's network will solve Allied's network edge problems, broaden and deepen AT&T's coverage, and improve the experience for both companies' customers
- Customers will benefit from substantial synergies

The few opponents are wrong

- This transaction will enhance, not harm, competition
 - Allied is a small carrier with less than 0.2% of U.S. wireless subscribers
 - Allied is not a meaningful competitive check on competitors in the transaction markets
 - Verizon is the leading provider in these markets: Allied ports out to Verizon over ten times the volume it ports to AT&T¹
 - Robust competition will remain
 - All four national carriers are present in all but two of the CMAs served by Allied
 - AT&T has few subscribers and limited coverage in the remaining two CMAs
 - The spectrum screen will be exceeded in only one county (Ohio 3) and there by only an insignificant amount
 - All four national carriers have widespread coverage in Ohio 3
- The transaction will not harm roaming
 - Petitioner Blue Wireless does not have a roaming agreement with Allied and does not roam on Allied
 - AT&T has agreed to maintain CDMA roaming into 2015 Q2
 - Under the Commission's roaming rules, AT&T and others will be required to provide roaming to other carriers upon reasonable request consistent with those rules
- The FCC should judge this transaction under established standards—not proposed ones that the Commission has never before adopted

Questions?
